

CAIR / CAMR Implementation Workgroup

Meeting #5

August 17, 2005

Overview

- Old Business
 - Summary of Workgroup Recommendations
 - Review of Allocation Calculations
 - Implementation Timing
 - Update: Applicability Letter
- New Business
 - Outstanding Issues
 - Administrative Implementation
 - E.g., Emissions Inventory, Permitting
 - Stakeholder involvement?
 - Next Steps / Workgroup Closeout

Recommendations

- General
 - To meet mandated emission targets:
 - Adopt EPA's EGU cap and trade program for NOX
 - Annual and Ozone season
 - Adopt EPA's EGU cap and trade program for SO2
 - Adopt EPA's EGU cap and trade program for Hg
 - Note: These recommendations, particularly for Hg are not supported by the Sierra Club

Recommendations

- Allocations
 - Existing Units (1/1/2001 cutoff)
 - Heat input, weighted by CAIR fuel factors
 - Model rule methodology
 - New Units
 - Phase I set asides = 5%
 - Phase II set asides = 3%
 - One time, “modified output / heat input equivalent” calculation

Recommendations

- Allocation Frequency
 - Existing Units (1/1/2001 cutoff)
 - Allocations will be made once - during initial rulemaking
 - Unit allocations for Phase I and II will be listed
 - New Units
 - Allocations will be calculated twice
 - At initial rulemaking
 - Six to seven years prior to phase II's

Recommendations

- Other
 - Opt-Ins
 - Adopt opt-in provisions with the understanding that Opt-Ins bring additional allowances to the system
 - Certainty
 - Provide for certainty wherever possible

Recommendations

Discussion or corrections?

Allocation Calculations

- CAIR Methodology (Existing Units)
 - Annual NOX
 - Heat input weighted by CAIR fuel factors (1.0, 0.6, 0.4)
 - Unit by unit average of the three highest annual heat input values based on 2000 – 2004 data
 - Fraction of state total annual heat input as calculated above
 - Ozone Season NOX
 - Heat input weighted by CAIR fuel factors (1.0, 0.6, 0.4)
 - Unit by unit average of the three highest ozone season heat input values based on 2000 – 2004 data
 - Fraction of state total ozone season heat input as calculated above

Allocation Calculations

- CAIR Methodology (New Units)
 - Fraction of total modified output heat input equivalent*
 - Coal: 7,900 btu/kWh
 - Oil/Gas: 6,675 btu/kWh
 - Nameplate capacity x heat input equivalent
 - Phase I (5%)
 - New units as of 1/1/2001 – 12/31/2005
 - Phase II (3%)
 - New units as of 1/1/2001 – 12/31/2008

Allocation Calculations

- CAMR Methodology
 - Coal rank factors
 - Lignite: 3, Sub-bituminous: 1.25, Other: 1.00
 - Existing Units
 - Heat input weighted by CAMR coal rank factors
 - Unit by unit average of the three highest annual heat input values based on 2000 – 2004 data
 - Fraction of state total annual heat input as calculated above
 - New Units (Phase I: 5%, Phase II: 3%)*
 - Fraction of total modified output heat input equivalent*
 - Coal: 7,900 btu/kWh
 - Nameplate capacity x heat input equivalent
 - 2005 / ~2011 new unit cutoff dates

Allocations

Discussion

Implementation Timing

- General Schedule
 - Draft Rule 9/2005
 - CAMD/R7 Pre-Review 9–11/2005
 - EPC Information 11/2005
 - DNR Administrative Ongoing

Applicability Letter

- Update
 - Response coming soon
 - Early indications are it won't say much
 - Key issues raised by the letter are still being assessed internally by EPA
 - DNR will move forward with established implementation assumptions and adjust approach if or when necessary – major changes are not expected

Break

Outstanding Issues

- Data Collection
 - Underway – expect complete end of Aug.
 - Shortfalls will be addressed during rulemaking
- Department Resource Requirements
 - 105 funding hit
 - Increased state obligations
 - E.g., EI, Stack or Compliance Monitoring, etc.
- Applicability Uncertainties
 - Uncontrollable factor at this time
 - Adjust as/if necessary
- Other?

Administrative Implementation

- How to make it work
 - Transition from larger scale policy level focus to implementation details
 - State EI reporting changes
 - CAIR permits
 - Integration with Title V
 - Other?
 - Currently assessing internally
 - Is a role for stakeholders appropriate or desired?

Next Steps

- Discussion